

ISSUE DATE: April 19, 2000

DOCKET NO. G-011/M-99-1551

ORDER APPROVING INCREASE IN DEMAND ENTITLEMENTS AND REQUIRING
BIENNIAL FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
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Joel Jacobs
Marshall Johnson
LeRoy Koppendrayner

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Request by Peoples Natural Gas Company for Approval of a Miscellaneous Rate Change to Reflect Requested Increases in Demand Entitlements on the Viking Transmission Company Pipeline System and to Recover the Associated Costs in its Monthly Purchased Gas Adjustment

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PROCEDURAL HISTORY

On November 1, 1999, Peoples Natural Gas Company (Peoples or the Company) requested permission to increase its Viking-area entitlements by 2,000 Mcf/day and to recover the associated cost increase from its Viking-area ratepayers, effective November 1, 1999. The Company also proposed to increase the amount of Northern Natural Gas Company (Northern) entitlement allocated to the Company's Viking-area ratepayers from 1,098 Mcf/day for three months of the year to 1,098 Mcf/day for twelve months of the year. The Northern entitlements are used by Peoples in the Viking-area to support back-haul service to the Company's Viking-area customers.

On January 3, 2000, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission 1) approve the increased level of entitlements and the proposed method of recovering the increased costs from Peoples' Viking-area ratepayers, effective November 1, 1999, 2) require the Company to plan to take appropriate action in the near future to ensure that reasonably priced firm service is available when needed, such as to impose a moratorium on the addition of new customers, and 3) require Peoples to submit a demand entitlement filing at least once every two years that updates all relevant demand-related information, whether or not a change in demand entitlement is necessary or requested.

On January 13, 2000, Peoples filed reply comments accepting the Department's recommendation that it be allowed to increase its Viking entitlements and modify the allocation of its Northern Natural entitlements, effective November 1, 1999, accepting the Department's recommendation that Peoples submit a demand entitlement filing at least once every two years, regardless of whether there are any demand entitlement changes, and opposing the Department's recommendation that the Company should obtain additional demand entitlements to eliminate the negative reserve margin on the Viking pipeline.

The Commission met to consider this matter on April 6, 2000.

FINDINGS AND CONCLUSIONS

I. ENTITLEMENTS

The Commission finds that the People's proposed increase in pipeline demand entitlement levels from Viking is appropriate and will approve it, along with the recovery of associated costs, effective November 1, 1999.

II. BIENNIAL DEMAND ENTITLEMENT FILING

Peoples agreed to the Department's recommendation that the Company be required to submit a demand entitlement filing at least once every two years that updates all relevant demand-related information, whether or not a change in demand entitlement is necessary or requested. The Commission finds that this filing would be helpful and is not an unreasonable burden upon the Company. The Commission, therefore, will adopt the Department's recommendation.

III. VIKING SERVICE AREA NEGATIVE RESERVE

The Department is concerned about Peoples' negative pipeline capacity reserve margin in the Viking-area and advised Peoples that it (Peoples) is responsible for providing reliable service at reasonable prices to firm customers on days the pipeline considers "critical" for operational reasons, such as extremely cold or warm weather. The Department stated that the Company should plan to take appropriate action in the near future to ensure that reasonably priced firm service is available when needed. One option noted by the Department would be for the Company to impose a moratorium on the addition of new customers.

Peoples objected to the Department's suggestion, asserting that it already has options to provide service to the Vikings customers that are fully adequate and should only be replaced or supplemented with additional capacity if that is the best overall solution. Peoples acknowledged its on-going obligation to prudently obtain the level of entitlements needed to provide adequate service to its Vikings customers.

The Commission is reluctant to adopt the Department's recommendation. Peoples understands the Department's concern and realizes its obligation to act prudently to secure adequate service to its customers. Adding to the Commission's reluctance to force Peoples' hand at this time is the fact that the Federal Energy Regulatory Commission (FERC), in its February 9, 2000 Order 637, revised its rules on pipeline imbalance services, operational flow orders, and penalties and that Viking, in its response to this order, may propose modifications to the penalty provisions in its tariffs and perhaps develop new services that Peoples can use to address the Department's concerns. In view of the uncertainty about Viking's tariff penalties and the possibility of new services, this may not be the best time for Peoples to acquire additional firm capacity on Viking.

In these circumstances and without prejudging the prudence of Peoples simply relying on its current level of entitlements and current options, the Commission will not require Peoples to commit to a particular course of action, other than to prudently obtain the level of entitlement needed to provide adequate service to its Viking-area customers.

ORDER

1. Peoples' proposed increase in pipeline demand entitlement levels from Viking Transmission Company (Viking) and the recovery of associated costs from the Company's Viking-area customers through the monthly Purchase Gas Adjustment (PGA) is approved, effective November 1, 1999. Consequently and specifically, Peoples is authorized to
 - a. increase its Viking entitlements by 2,000 Mcf/day and to recover the associated increase in cost from its Viking-area ratepayers, effective November 1, 1999; and
 - b. increase the amount of Northern Natural entitlement allocated to Viking-area ratepayers to support back-haul service to the Viking-area, i.e. from 1,098/day for three months of the year to 1,098/day for twelve months of the year.
2. Peoples shall submit a demand entitlement filing at least once every two years that updates all relevant demand-related information for its Viking service area, whether or not a change in demand entitlement is necessary or requested.
3. Peoples is not required to commit to a particular course of action to address the Department's concerns about the negative reserve margin in the Company's Viking service area, other than to prudently obtain the level of entitlement needed to provide adequate service to its Viking-area customers.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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